Report of the Committee on Prices in the Bituminous Coal Industry

Prepared for
THE CONFERENCE ON PRICE RESEARCH

National Bureau of Economic Research

New York · 1938
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(Resolution of October 25, 1926, revised February 6, 1933)
Preface

The report of the Committee on Prices in the Bituminous Coal Industry is published by the National Bureau of Economic Research for the Conference on Price Research. This Conference is composed of representatives from universities and governmental and private research agencies interested in the advancement of knowledge in the wide field that is roughly defined by the term 'price economics'. As the result of a meeting in November 1935, called at the initiative of a committee representing the National Bureau of Economic Research and departments of economics in a number of American universities, a permanent, autonomous organization was created to stimulate and coordinate research dealing with costs, prices, and related topics. The present membership of the Conference includes the Universities of Chicago, Columbia, Cornell, Harvard, Minnesota, and Pennsylvania; the American Institute of Accountants; the National Association of Cost Accountants; the Bureau of Agricultural Economics, the Bureau of Labor Statistics, and the Central Statistical Board; the Brookings Institution; the Food Research Institute of Stanford University; and the National Bureau of Economic Research.

As its initial undertaking the Conference elected to survey five industries—bituminous coal, cotton textiles, petro-
leum, steel, and automobiles—for the purpose of defining the industrial and economic problems that center about prices, appraising existing data available to research workers and outlining programs of needed research. The present study is the first product of these investigations.

In no industry, perhaps, are issues involving prices of more interest to the public and to economists and of greater concern to public administrators than are those of bituminous coal. Here are problems of competition among rival producers and with substitute products; here are regional zones, imperfectly defined and cutting across one another in diverse ways, yet placing their impress on the pattern of production and distribution; here are varying grades and qualities, with corresponding price differentials; here are found a wide variety of users, ranging from households to railroads and great manufacturing industries; here are intricate connections between producers and carriers, and ownership relations that complicate pricing and distributional problems; and here, more recently, have been introduced elements of federal price control that are of especial interest, not alone because of their bearing on the organization and operations of this industry, but also because they exemplify issues of far wider import.

The objectives of Professor Fisher and his associates are clearly set forth in the opening pages of this monograph. With imagination, objective detachment, and rigorous fidelity to scientific standards of accuracy they have undertaken an experimental, exploratory survey of the tangled problems that center about bituminous coal prices. Their major purpose has been to clear the ground for needed research, rather than to make substantive contributions of their own, but the report that embodies their findings contains much that has value in its own right, as an addition to our knowledge of the bituminous coal industry.

This report points the way to research that will be of obvious and immediate value to the industry and to government, and of no less utility to those who are concerned with the more general aspects of economic organization today. It
is the hope of the Conference that the studies outlined in the report will be undertaken by interested agencies and individuals—by governmental bodies, organs of the industry, private research agencies, and favorably situated students. The Committee has indicated needed action. The field is open for the active work.

In defining some of the major problems that beset the industry and outlining research that will illuminate these problems, the Committee on Prices in the Bituminous Coal Industry has amply fulfilled its original purpose. But the work of the Committee has done more than this. It has provided a convincing demonstration of the possibility of disinterested cooperation in attacking contemporary industrial problems. Under the skillful and tactful leadership of Professor Fisher, a group of men of widely different connections, having a common interest in the economic problems of this troubled industry, were able to sit down together and explore, objectively and dispassionately, ways and means of obtaining a better understanding of the organization, operation, and market relations of the industry. Here, as in other fields in which the Conference on Price Research has sought to effect similar cooperation, good-will, and an active desire to clarify and solve perplexing issues have been encountered invariably. There are grounds here for hope that, on a wider front, such cooperation in the study of industrial ills may generate the knowledge essential to their solution. The future activities of the Conference will be directed toward the furtherance of this cooperation.

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Introduction

The Committee on Prices in the Bituminous Coal Industry completed its report early in September 1937, four and a half months after the passage of the Bituminous Coal Act of 1937. Because the Commission created to administer the Act found it necessary to apply its energy to such pressing problems as developing an organization, promulgating a coal code, establishing statistical bureaus, approving the composition of district boards, developing standards of classification of coal, formulating marketing rules and regulations, and prescribing procedures for setting minimum prices, little had been accomplished up to that time in the development of a broad program of research and in the conduct of studies other than the compilation of 1936 costs and related data which were absolutely necessary for price-fixing purposes.

On July 1, 1937, the Commission took over the U. S. Bureau of Mines' statistical service for bituminous coal. In more recent months the Commission's statistical and research objectives and organization have been developed under the leadership of F. G. Tryon, formerly of the United States Bureau of Mines. The services to be rendered fall under two major divisions: (1) administrative statistics and (2) research and analysis.
The "administrative statistics branch" will concern itself with the collection and compilation of data pertaining to costs, sales realization, sales, prices, shipments, and contracts. Sales realization and detailed cost data have been compiled by divisions and areas for the years 1936 and 1937. In January 1938 the monthly collection of similar data was begun. Copies of all invoices and contracts are now being forwarded to the Commission. The analysis of invoices, now in process, will make available not only prices, transportation charges, discounts, premiums, and allowances for different classes and sizes of coal but also will show the quantity of coal shipped from producing fields and districts to various cities, states, and market areas, as well as the type of consumers supplied and the method of transportation.

Meantime to finish what is regarded as an indispensable base for its operations, the Commission is collecting detailed statistics of the movement of coal from each producing district to each destination in the United States, classified by size and grade.

The work to be carried out by the "research and analysis branch" will include market service reports, economic research, and technical research. The market service reports consist of "rapid-fire measurement of trends of all the factors of the market—production, consumption, stocks on hand, distribution, exports, imports, and price movements. To give a background for current changes, the long-time trends will also be developed to show demand, capacity, mechanical equipment, operating practice, employment and running time."

Those responsible for economic research, according to present plans, will "conduct fundamental studies of the economic principles underlying market control, price determination, and trade practices, as a basis for Commission policy", make "special investigations on particular problems, test and critically review the price structures" to be established by the Commission and examine "their effects upon consumers, the competitive standing of districts, and the demand for coal." The technical research division in
addition to supplying "technical advice on problems directly related to the administration of the system of minimum prices and fair trade practices", will "supervise certain special studies of 'new uses', 'conservation', and 'safety', specified in Section 14-A of the Act" and will make engineering studies relating to competing fuels and factors controlling costs such as seam conditions, mechanical equipment, and mining practices.

If the statistical studies now being carried on can be continued and if the contemplated program of research can be brought to completion and the data and findings obtained thereby published or otherwise made available to private research agencies and individuals, the execution of many of the projects suggested in this program of research for bituminous coal will be greatly facilitated and the comprehensiveness and value of their findings will be materially increased. Moreover, the statistics on consumption, flow of coal to markets, and inter-fuel competition will be substantially improved and much information previously supplied at irregular intervals will undoubtedly be regularly collected and compiled. Finally, should the research activities of the Commission be continued over a period of years, economists will be afforded an opportunity to test out in this industry many of the assumptions and theories which now prevail about the present functioning of the industrial system.

WALDO E. FISHER
INDUSTRIAL RESEARCH DEPARTMENT
UNIVERSITY OF PENNSYLVANIA
Objectives

Business and social policies can be formulated intelligently only if they are based upon realistic descriptions and interpretations of the continually changing organization and functioning of the industrial system. The development of this background of information depends upon: (i) accurate and comprehensive factual records relating to the functioning of industry; (ii) an intimate knowledge of the forces and circumstances that lead businessmen to make decisions on policy and procedure in specific situations. The prerequisites of policy formation involve intensive study of selected industries and the coordination and integration of the data obtained and of the conclusions reached.

On the assumption that price research is not an end in itself but is rather a point of attack, the Committee on Prices in the Bituminous Coal Industry, in furtherance of the general purposes of the Conference on Price Research, has set itself the following specific objectives:

1) To state clearly the scope and operating characteristics of the bituminous coal industry that influence its price levels and price problems (see Part I)
2) To ascertain what price and related data are being currently collected for this industry (see Appendix I)
3) To appraise these data and to suggest means by which the factual record of the bituminous coal industry may be made more useful to the industry, the government, economists, and the public (see Appendix II)
4) To indicate those phases of the problems of prices that need further study and research and that are of greatest significance to the industry, economists, and the public (see Part II)
5) To outline a program of research (see Part II)
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